

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 708 - HB 1269**

March 11, 2019

**SUMMARY OF BILL:** Exempts certain lessees from property taxes assessed on land leased from governmental entities if payments in lieu of taxes are made to the owning governmental entity.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact -- A recurring shift in local government revenue to state and local governmental entities exceeding \$2,720,400.**

Assumptions:

- According to the Comptroller of the Treasury, approximately \$2,720,360 in property taxes is assessed against leasehold agreements between lessees and governmental entities owning property annually.
- The proposed language:
  - Exempts such lessees from payment of property taxes if the lessee makes payments in lieu of taxes in an amount equal to the ad valorem taxes to the owning governmental entity.
  - Requires the lessee to make such payments for the remainder of the term of the lease.
- The proposed legislation will result in a recurring, equal and corresponding shift in revenue from counties and municipalities to property-owning governmental entities in an amount estimated to exceed \$2,720,400 annually.
- It is unknown how many such governmental entities are entities of state government and how many are entities formed by local government.
- To the extent such shift occurs between local government entities, the net impact to local government is considered not significant. To the extent that such property is owned by a state government entity, it will result in a recurring decrease in local government revenue and increase in state government revenue; however a precise shift cannot reasonably be determined.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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